

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF HANOVER	County JACKSON
Audit Date FEBRUARY 28, 2004	Opinion Date JANUARY 25, 2005	Date Accountant Report Submitted to State MARCH 23, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Karl L. Drake, CPA			
Street Address 3775 Kimmel Road	City Horton	State MI	Zip 49246
Accountant Signature 			

**VILLAGE
OF
HANOVER**

FINANCIAL STATEMENTS

FEBRUARY 29, 2004

VILLAGE OF HANOVER

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Karl L. Drake, P.C.
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Of the Village of Hanover
Hanover, Michigan

We have audited the accompanying general purpose financial statements of the Village of Hanover, as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Hanover's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Hanover as of February 29, 2004, and the results of its operations for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2005, on our consideration of the Village of Hanover's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements are presented for the purposes of additional analysis, and are not a required part of the general purpose financial

statements of the Village of Hanover. Such information has been subjected to the audited procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.
Certified Public Accountant

January 25, 2005

VILLAGE OF HANOVER

COMBINED BALANCE SHEET ALL FUND TYPES AND ACCOUNT GROUPS

FEBRUARY 29, 2004

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
ASSETS		
Cash	\$ 78,843	\$ 171,306
Taxes Receivable	10,514	---
Due from Other Governments	---	26,000
Due from Other Funds	33,192	---
Capital Assets	---	---
Amount to be Provided	---	---
TOTAL ASSETS	<u>\$ 122,549</u>	<u>\$ 197,306</u>
 LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts Payable	\$ ---	\$ ---
Payroll Taxes Payable	663	---
Due to Other Funds	---	33,192
Bonds Payable	---	---
TOTAL LIABILITIES	<u>663</u>	<u>33,192</u>
FUND EQUITY		
Investment in General Fixed Assets	---	---
Fund Balance - Unreserved	121,886	164,114
TOTAL FUND EQUITY	<u>121,886</u>	<u>164,114</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 122,549</u>	<u>\$ 197,306</u>

See Accompanying Notes to Financial Statements.

Account Groups		
General Long-Term Debt	General Fixed Assets	Total (Memorandum Only)
\$ ---	\$ ---	\$ 250,149
---	---	10,514
---	---	26,000
---	---	33,192
---	171,966	171,966
---	---	---
\$ ---	\$ 171,966	\$ 491,821

\$ ---	\$ ---	\$ ---
---	---	663
---	---	33,192
---	---	---
---	---	33,855

---	171,966	171,966
---	---	286,000
---	171,966	457,966
\$ ---	\$ 171,966	\$ 491,821

VILLAGE OF HANOVER

COMBINED STATEMENTS

**COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES**

FOR THE YEAR ENDED FEBRUARY 29, 2004

	General	Special Revenue	Total (<i>Memo Only</i>)
REVENUE			
Taxes	\$ 51,738	\$ ---	\$ 51,738
State Revenue	42,708	44,386	87,094
Charges for Services	---	---	---
Interest and Rentals	9,199	1,020	10,219
Other Revenue	3,539	---	3,539
TOTAL REVENUE	107,184	45,406	152,590
EXPENDITURES			
General Government	36,593	---	36,593
Public Safety	18,292	---	18,292
Public Works	36,698	23,741	60,439
Recreational and Cultural	59,045	---	59,045
Capital Outlay	---	---	---
TOTAL EXPENDITURES	150,628	23,741	174,369
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	-43,444	21,665	-21,779
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
TOTAL OTHER FINANCING SOURCES <USES>	---	---	---
EXCESS OF REVENUE AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	-43,444	21,665	-21,779
FUND BALANCE - MARCH 1, 2003	165,330	142,449	307,779
FUND BALANCE - FEBURARY 29, 2004	\$ 121,886	\$ 164,114	\$ 286,000

See Accompanying Notes to Financial Statements.

VILLAGE OF HANOVER

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2004

	General Fund		
	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Taxes	\$ 38,200	\$ 51,738	\$ 13,538
State Revenue	40,000	42,708	2,708
Charges for Services	---	---	---
Interest and Rentals	---	9,199	9,199
Other Revenue	---	3,539	3,539
TOTAL REVENUE	78,200	107,184	28,984
EXPENDITURES			
General Government	29,600	36,593	-6,993
Public Safety	4,300	18,292	-13,992
Public Works	29,300	36,698	-7,398
Recreational and Cultural	13,000	59,045	-46,045
Capital Outlay	2,000	---	2,000
TOTAL EXPENDITURES	78,200	150,628	-72,428
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	---	-43,444	-43,444
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
TOTAL OTHER FINANCING SOURCES <USES>	---	---	---
EXCESS OF REVENUE AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	---	-43,444	-43,444
FUND BALANCE - MARCH 1, 2003	165,330	165,330	---
FUND BALANCE - FEBURARY 29, 2004	\$ 165,330	\$ 121,886	\$ -43,444

See Accompanying Notes to Financial Statements.

Special Revenue Fund		
Budget	Actual	Variance Favorable <Unfavorable>
\$ ---	\$ ---	\$ ---
45,800	44,386	-1,414
---	---	---
---	1,020	1,020
---	---	---
45,800	45,406	-394
---	---	---
---	---	---
45,800	23,741	22,059
---	---	---
---	---	---
45,800	23,741	22,059
---	21,665	21,665
---	---	---
---	---	---
---	---	---
---	21,665	21,665
142,449	142,449	---
\$ 142,449	\$ 164,114	\$ 21,665

VILLAGE OF HANOVER

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

REPORTING ENTITY

The Village of Hanover is a general law village located in Jackson County, Michigan. The Village operates under an elected council consisting of nine members and provides various services to its 424 residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no other entities have been included.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE OF FUND ACCOUNTING

The general operations of the Village are divided into the categories of basic services (subject to legal budgets) and self-supporting services. The basic service operations are accounted for in such operating funds as the General Fund and Special Revenue Funds.

Capital expenditures within the Operating Funds are charged against operations during the year of purchase. These capital expenditures are then capitalized with the General Fixed Asset Group of Accounts with no allowance for depreciation expense.

The various funds are grouped in the financial statements of the report into:

ONE GENERIC FUND TYPE

Governmental Funds

TWO BROAD FUND CATEGORIES

Fixed Assets
Long-term Debt

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

FIXED ASSETS AND LONG-TERM DEBT

The accounting and reporting treatment applied to the fixed assets and long-term debt associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixes assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage system, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term debts expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the Governmental funds.

The two account groups are not "funds". They are concerned only with measurement of financial position. They are not involved with measurement of results or operations.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources", since they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables is deferred until they become current receivables. Non-current portions of long-term loans receivable are offset by fund balance reserve accounts.

VILLAGE OF HANOVER

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PURPOSE OF FUND ACCOUNTING

FIXED ASSETS AND LONG-TERM DEBT (CONTINUED)

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income gross receipts and sales taxes are considered "measurable" when in the hands of the intermediary collecting governments and are recognized as revenue at that time.

Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seem certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation and sick pay and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

Formal budgetary integration is employed as a management control device during the year for the General Fund and all Special Revenue Funds. Budgets for these funds are adopted on a basis consistent with United States generally accepted accounting principles (GAAP).

PROPERTY TAXES

Real and personal property taxes are assessed as of December 31 and attach as an enforceable lien on property as of July 1 of the subsequent year. Taxes are due and payable as of September 30, without additional penalty, until the final collection date of February 28 of the subsequent year. The property tax revenues in the accompanying financial statements were recognized as those levied during the year.

All unpaid taxes become delinquent after February 28 at which time the uncollected real taxes are returned to Jackson County for collection and to be added to the delinquent tax rolls. Delinquent real property taxes of the Village of Hanover are purchased by the County of Jackson. The County sells tax notes, the proceeds of which are used to pay the Village for taxes. Such proceeds are usually of the current year in the accompanying financial statements.

The Village Treasurer is responsible for the collection of delinquent personal property taxes. Total taxable value of Village property was \$5,947,346. Total taxes assessed were 8.3024 mills.

TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

3. ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at February 29, 2004.

4. BUDGET

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on the functional basis. The Village also adopted budgets for these budgetary funds on the functional basis. The adopted budget of the general fund is as follows:

General Govt.	\$ 29,600
Public Safety	4,300
Public Works	29,300
Recreation and Cultural	13,000
Capital Outlay	<u>2,000</u>
Total Budgeted Expenditures	<u>\$ 78,200</u>

VILLAGE OF HANOVER

NOTES TO FINANCIAL STATEMENTS

4. BUDGET (CONTINUED)

During the year ended February 29, 2004, the Village incurred expenditures in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Expenditure</u>	<u>Excess</u>
GENERAL FUND			
General Government	\$ 29,600	\$ 36,593	\$ -6,933
Public Safety	4,300	18,292	-13,992
Public Works	29,300	36,698	-7,398
Recreation and Cultural	13,000	59,045	-46,045

5. CASH AND INVESTMENTS

Deposits are carried at cost. Deposits of the Village are at two banks in the name of the Village Treasurer. Act 217, PA 1982, authorizes the Village to deposit and invest in the accounts of the Federally insured banks, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond, or other forms of the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's cash deposits are as follows:

<u>Deposits</u>	<u>Book Value</u>	<u>Carrying Amounts</u>
Insured (FDIC)	\$ 175,000	\$ 175,000
Uninsured & Uncollateralized	75,149	75,149
Total Deposits	<u>\$ 250,149</u>	<u>\$ 250,149</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

6. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 03-01-03	Additions	Deletions	Balance 02-29-04
Land	\$ 79,123	\$ ---	\$ ---	\$ 79,123
Buildings	38,375	---	---	38,375
Equipment	54,468	---	---	54,468
Total	<u>\$ 171,966</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 171,966</u>

7. CHANGES IN GENERAL LONG-TERM DEBT ACCOUNT GROUP

At February 29, 2004, there was no general long-term debt.

8. INTERFUND RECEIVABLES AND PAYABLES

At February 29, 2004, interfund payables and receivables were as follows:

Due to		Due From	
General	\$ 27,922	Major Street	\$ 27,922
General	<u>5,270</u>	Local Street	<u>5,270</u>
	<u>\$ 33,192</u>		<u>\$ 33,192</u>

9. RETIREMENT SYSTEM

At February 29, 2004, the Village did not participate in a retirement plan for its employees.

10. ACCUMULATED SICK AND VACATION PAY

Amounts accumulated for accrued sick and vacation pay are immaterial and have not been entered in the accounting records.

VILLAGE OF HANOVER

NOTES TO FINANCIAL STATEMENTS

11. ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

12. RISK MANAGEMENT AND LITIGATION

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Village has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At February 29, 2004, no claims exist, and no provision has been entered into the accounting records.

SUPPLEMENTAL INFORMATION

VILLAGE OF HANOVER

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Taxes	\$ 38,200	\$ 51,738	\$ 13,538
State Revenue	40,000	42,708	2,708
Charges for Service	---	---	---
Interest	---	2,253	2,253
Rentals	---	6,946	6,946
CATV Franchise	---	1,491	1,491
Other Revenue	---	2,048	2,048
TOTAL REVENUE	78,200	107,184	28,984
EXPENDITURES			
GENERAL GOVERNMENT			
Village Council			
Salaries	2,000	2,720	-720
Supplies	---	---	---
Miscellaneous	---	341	-341
	2,000	3,061	-1,061
Elections: Supplies	600	---	600
Clerk			
Salaries	4,500	8,155	-3,655
Supplies	---	630	-630
Telephone	---	1,333	-1,333
Miscellaneous	3,000	138	2,862
Travel	100	223	-123
	7,600	10,479	-2,879
Treasurer			
Salaries	2,000	4,848	-2,848
Supplies	---	---	---
Tax roll preparation	500	1,282	-782
	2,500	6,130	-3,630
Village Hall			
Utilities	---	1,603	-1,603
Cleaning fees	---	120	-120
Repairs	3,000	557	2,443
	3,000	2,280	720
Other General Government			
Dues and subscriptions	2,000	601	1,399
Equipment maintenance	1,000	570	430
Legal and audit fees	1,900	---	1,900
Insurance	7,000	11,398	-4,398
Payroll taxes and benefits	2,000	2,074	-74
	13,900	14,643	-743
TOTAL GENERAL GOVERNMENT	\$ 29,600	\$ 36,593	\$ -6,993

	Budget	Actual	Variance Favorable <Unfavorable>
PUBLIC SAFETY			
Fire Department Utilities	\$ ---	\$ 2,437	\$ -2,437
Police	3,000	4,030	-1,030
Planning			
Contract services	500	11,353	-10,853
Printing	800	452	348
Repairs	---	20	-20
	1,300	11,825	-10,525
TOTAL PUBLIC SAFETY	4,300	18,292	-13,992
PUBLIC WORKS			
Gas and Oil	800	314	486
Salaries	---	2,023	-2,023
Miscellaneous	---	233	-233
Street Lighting	6,000	6,140	-140
Lawn Care	---	2,583	-2,583
Maintenance	22,500	25,153	-2,653
Utilities	---	252	-252
TOTAL PUBLIC WORKS	29,300	36,698	-7,398
RECREATION AND CULTURAL			
Ball Park	2,500	2,335	165
Perin Park	4,500	53,530	-49,030
Bibbons Lake Park	1,000	533	467
Fourth of July	5,000	2,647	2,353
TOTAL RECREATION AND CULTURAL	13,000	59,045	-46,045
CAPITAL OUTLAY	2,000	---	2,000
TOTAL EXPENDITURES	78,200	150,628	-72,428
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	---	-43,444	-43,444
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
EXCESS OF REVENUE AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	---	-43,444	-43,444
FUND BALANCES - MARCH 1, 2003	165,330	165,330	---
FUND BALANCES - FEBRUARY 29, 2004	\$ 165,330	\$ 121,886	\$ -43,444

VILLAGE OF HANOVER

COMBINING BALANCE SHEET ALL SPECIAL REVENUE FUNDS

FEBRUARY 29, 2004

	Major Street	Local Street	Totals
ASSETS			
Cash	\$ 153,034	\$ 18,272	\$ 171,306
Due from Other Governments	21,000	5,000	26,000
TOTAL ASSETS	<u>\$ 174,034</u>	<u>\$ 23,272</u>	<u>\$ 197,306</u>
LIABILITIES			
Due to Other Funds	\$ 27,922	\$ 5,270	\$ 33,192
FUND EQUITY			
Fund Balance - Unreserved	146,112	18,002	164,114
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 174,034</u>	<u>\$ 23,272</u>	<u>\$ 197,306</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS**

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Major Street	Local Street	Totals
REVENUE			
Act 51 State Revenue	\$ 35,936	\$ 8,450	\$ 44,386
Interest	962	58	1,020
Miscellaneous	---	---	---
TOTAL REVENUE	36,898	8,508	45,406
EXPENDITURES			
Public Works	20,439	3,302	23,741
EXCESS OF REVENUE OVER EXPENDITURES	16,459	5,206	21,665
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers <Out>	---	---	---
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	16,459	5,206	21,665
FUND BALANCE - MARCH 1, 2003	129,653	12,796	142,449
FUND BALANCE - FEBRUARY 29, 2004	\$ 146,112	\$ 18,002	\$ 164,114

VILLAGE OF HANOVER

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - MAJOR STREET

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
State Revenue	\$ 37,300	\$ 35,936	\$ -1,364
Interest	---	962	962
Miscellaneous	---	---	---
TOTAL REVENUE	37,300	36,898	-402
EXPENDITURES			
STREET CONSTRUCTION			
Contracted Services	20,000	6,652	13,348
PUBLIC WORKS			
Routine Maintenance			
Salaries	600	2,333	-1,733
Repairs	6,200	2,503	3,697
Equipment rental	---	2,625	-2,625
Total Routine Maintenance	6,800	7,461	-661
Traffic			
Salaries	---	192	-192
Utilities	---	84	-84
Repairs	2,000	636	1,364
Total Traffic	2,000	912	1,088
Winter Maintenance			
Salaries	500	919	419
Repairs	5,000	2,676	2,324
Equipment rental	---	1,819	-1,819
Total Winter Maintenance	5,500	5,414	86
Administrative Expense	3,000	---	3,000
TOTAL EXPENDITURES	37,300	20,439	16,861
EXCESS OF REVENUE OVER EXPENDITURES	---	16,459	16,459
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers <Out>	---	---	---
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	---	16,459	16,459
FUND BALANCE - MARCH 1, 2003	129,653	129,653	---
FUND BALANCE - FEBRUARY 29, 2004	\$ 129,653	\$ 146,112	\$ 16,459

**STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LOCAL STREET**

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
State Grants	\$ 8,500	\$ 8,450	\$ -50
Interest	---	58	58
Miscellaneous		---	---
TOTAL REVENUE	8,500	8,508	8
EXPENDITURES			
PUBLIC WORKS			
Routine Maintenance			
Salaries	1,800	365	1,435
Repairs	3,300	1,200	2,100
Equipment rental	200	199	1
Total Routine Maintenance	5,300	1,764	3,536
Traffic			
Salaries	---	---	---
Repairs	200	31	169
Total Traffic	200	31	169
Winter Maintenance			
Salaries	---	220	-220
Repairs	2,000	693	1,307
Equipment rental	---	594	-594
Total Winter Maintenance	2,000	1,507	493
Administrative Expense	1,000	---	1,000
TOTAL EXPENDITURES	8,500	3,302	5,198
EXCESS OF REVENUE OVER EXPENDITURES	---	5,206	5,206
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operative Transfers Out	---	---	---
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	---	5,206	5,206
FUND BALANCE - MARCH 1, 2003	12,796	12,796	---
FUND BALANCE - FEBRUARY 29, 2004	\$ 12,796	\$ 18,002	\$ 5,206

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH "*GOVERNMENT AUDITING STANDARDS*"**

To the Village Council
Village of Hanover

We have audited the general purpose financial statements of the Village of Hanover of and for the year ended February 29, 2004, and have issued our report thereon dated January 25, 2004. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Hanover's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Hanover's control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial

statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.
Certified Public Accountant

January 25, 2004